



City of Westminster Financial Policies

Financial Policies Adopted (May 17, 2022)

Purpose

The purpose of this policy is to define the fiscal procedures for the development and execution of the City's operating and capital outlay budgets, along with the management of the City's debt and economic investments. Undergirding these procedures and this policy are the principles of sound fiscal management, fiscal stability, Generally Accepted Accounting Principles (GAAP) and the mission of City Council.

Operating Budget Policy

The annual operating budget is the vehicle through which City Council authorizes City government to fund operations during a specific fiscal year for specific purposes and which establishes the economic resources that are required to support these activities. The budget is a fiscal, planning, and policy document, reflecting the allocation of limited revenues among diverse uses.

- A. According to the laws of the State of South Carolina, the City will adopt a balanced operating budget, annually, and provide full disclosure when a deviation from a balanced operating budget is planned or when it occurs.
- B. The term of the fiscal year is July 1 – June 30.
- C. The City Administrator will monitor the financial condition of the City and estimate present and future financial needs.
- D. Department heads will be accountable for the implementing department budgets in a manner that accomplishes the programs and objectives for which the budgets were authorized, and ensuring that their respective budgets stay within the prescribed funding levels.
- E. Departments must stay within budget by each major expense category of personnel, operating, and capital; Budget transfers or shifts in departmental budgets must be authorized by the City Administrator; provided that overall budget appropriations do not change without the approval of the City Council.
- F. The City will maintain a risk management program to provide for protection against loss and a reduction in exposure to liability.

Revenues

The City will maximize and diversify its revenue base to raise sufficient revenue to support essential City services and to maintain services during periods of declining economic activity. The City must be sensitive to the balance between the need for services and the City's ability to raise fees, charges, and taxes to support those services.

- A. The City shall conservatively estimate annual revenue increases

- B. All surpluses above the budgeted revenue estimates will be available to the City for appropriation through the City's budget monitoring and approval processes. Additional appropriations will be used for activities that support the function or program generating the additional fees.
- C. Overall revenue shortfalls requiring additional discretionary General Fund resources will result in a City current appropriation level reduction. In the event of a current fiscal year projected total revenue shortfall, the City will document other offsetting revenues or reduce its budget within the regular budget monitoring process. Transfers from the City's General Fund balance to cover revenue shortfalls shall not occur without City Council authorization.
- D. The City will maintain a diversified and stable revenue base to reduce the effects of short-term fluctuations in any one revenue source.
- E. All enterprise funds will be self-supporting. The City will establish all user charges fees at a level related to the full costs (operating, direct, indirect and capital) of providing the service. The City will review these fees & charges annually in the budget process and target rates that meet the cost to provide the service.
- F. Charges for services that benefit specific users should recover full costs, including all direct costs, General Fund overhead, loss of interest and depreciation on capital assets.
- G. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Expenditures in these funds are strictly limited to the mandates of the funding source. Special Revenue Funds are not to be used to subsidize other funds, except as required or permitted by program regulations.
- H. One-time resources such as proceeds from asset sales, debt refinancing, one-time grants, revenue spikes, budget savings and similar non-recurring revenue shall not be used for current or new ongoing operating expenses. Appropriate uses of one-time resources include:
 - a. Rebuilding General Fund Balance
 - b. Establishing or rebuilding an Emergency Reserve or Contingency Fund
 - c. Early retirement of debt
 - d. Funding capital expenditures and/or other non-recurring expenditures
- I. The City will actively seek grant funding to fund both operating and capital expenditures. Prior to the acceptance of grant funding, an evaluation of the grant must determine the following:
 - a. The grant purpose is compatible with City program objectives
 - b. The benefits provided by the grant exceed the cost of administration
 - c. The grant does not commit the City to long-term tax funded expenditures after the completion of the grant period.
 - d. The City will evaluate the cost and funding source to determine whether to continue the service when the grant period ends. The decision to continue to fund or drop will be made prior to accepting the grant. Alternatively, the City could choose to continue the service with other funding.

Expenditures

The City will provide for a balanced budget, annually, whereby the current operating revenues will be sufficient to support current operating expenditures. An appropriate balance will be maintained between budget dollars provided for direct public services and dollars provided to assure good management and legal compliance. In addition to the City Administrator and all department heads share in the responsibility of understanding the City's long-term financial viability, its general spending trends, its projected incomes, and educating themselves, and employees on the necessary short and long-term balance between revenues and expenditures.

- A. High priority is given to expenditures that will reduce future operating costs, such as increased utilization of technology and equipment and proven business methods.
- B. The annual expenditures shall not exceed the annual revenues (operating budget minus capital outlay).
- C. Before the City undertakes any agreements that would create fixed ongoing expenses, the cost implications of such agreements will be estimated for current and future years.
- D. Organizations that are not part of the City, but which receive funding from the City, shall not have their appropriation carried forward from year to year unless contractually authorized and directed by City Council.

Debt Policy

The City's debt policy establishes the parameters for issuing debt, managing its debt portfolio within available resources and within the legal debt margin as defined by South Carolina Statutes and minimizing the costs to the taxpayer. Adherence to this policy will help assure the highest possible rating given the rating environment and undergird any future credit rating.

- A. Long-term debt or bond financing will not be used to finance current operating expenditures.
- B. All bonds, notes, contracts, accounts payable, and other monetary liabilities will be paid when due and shall have the most superior lien position during the allocation of resources in budget planning.
- C. Capital projects, financed through the issuance of bonds, shall be financed for a period not to exceed the expected useful life of the project.
- D. The general obligation debt of the City shall not exceed 8% of the assessed valuation of taxable property in the City in accordance with South Carolina State Statute, without a referendum approving such debt.
- E. Annual general obligation debt service shall not exceed 20% of total operating revenue.
- F. The City will attempt to use the lease-purchase of Capital Outlay, for equipment and heavy vehicles having a useful life of at least three years or more.

10 Year Financial Forecast

The City desires to create a 10-year financial forecast that will include projections for annual growth plus allowances for operating costs of new capital facilities. The forecast will provide the financial health of all major funds and assess the financial implications of current and proposed policies, programs, and assumptions. The forecast will include potential alternatives to improving the long-term financial health of the City. The City will incorporate the 10-year financial forecast as soon as practical.

Capital Improvement Program

The City will prepare and adopt a 10-year Capital Improvement Program, annually, that will detail each capital project, the estimated cost, and funding source.

- A. Operating expenditures will be programmed to include the cost of implementing the Capital Improvement Plan as required.
- B. Capital assets shall be purchased and maintained on a regular schedule.
- C. Within the legal limits of South Carolina Statute and the constraints of operating budgets, debt shall be issued for the purchase of capital assets, including major renovations.

Accounting Policy

The City will establish and maintain accounting systems according to the generally accepted accounting principles (GAAP) and standards of the Government Accounting Standards Board (GASB).

- A. An annual audit will be performed and completed no longer than six (6) months from the end of the prior fiscal year by an independent public accounting firm that will issue an official opinion on the comprehensive annual financial report (CAFR) with a management letter detailing areas that need improvement, if required.
- B. Full disclosure will be provided in the financial statements and bond representations.
- C. A management letter, the by-product of an annual audit, shall be presented by the independent certified public accounting firm no later than 60 days from issuance of the City's Annual Comprehensive Financial Report (ACAFR).
- D. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis with a thorough analysis and adjustment (if required) quarterly.
- E. All revenue collections are the responsibility of the City Clerk and Treasurer.
- F. The City will maintain an internal control system that safeguard assets and provide reasonable assurances (e.g., noting any changes in finance statements) for the proper recording of the financial transactions of the City.

Fund Balance Policy

The term fund balance is used to describe the net assets or equity of a governmental fund. The fund balance is intended to serve as a measure of the financial resources available in that fund. GAAP distinguishes five types of fund balance, nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance is restricted basically because of the form.
- Restricted fund balance has external limitations on use.
- Committed fund balance is City council designations made before the end of the fiscal year.
- Assigned fund balance is City council designations for the intended use.
- Unassigned is the total fund balance in excess of nonspendable, restricted, committed, and assigned.

A. Nonspendable and Restricted Fund Balance – Fund balance reserves indicates that some of the fund net assets are not available for discretionary appropriations and expenditures. Generally this is due to a legal or contractual commitment to an outside entity. It does not include tentative plans of management or council.

B. Committed Fund Balance- City Council may commit a portion of fund balance for specific uses, as long as it is done by the year end. Committed fund balances are considered as reserved.

C. Unassigned Fund Balance – Unassigned fund balance is available for appropriation. City Council may either assign a portion of fund balance to indicate tentative plans of use or assign a portion for contingencies. Fund Balance that is assigned is considered unreserved.

1) Unreserved - Assigned Fund Balance

a) Assigned Fund Balance-Contingency

To help maintain services during short periods or economic decline and to meet emergency conditions, in addition to any other restricted or committed Fund Balance amounts, the budget shall provide for a contingency designation equivalent to 5% of estimated annual operating revenues in all governmental type funds. The contingency shall also be exclusive of all fund balance types not anticipated to be readily available for use in emergencies. The contingency is established to provide for nonrecurring unanticipated expenditures.

b) Committed/Assigned Fund Balance

Other Council Designations Council may at its discretion designate any portion of available unassigned fund balance as long as the remaining fund balance allows for unreserved unassigned fund balance to be maintained at no less than 25-35 % percent of regular general fund annual operating revenues.

2) Unreserved - Unassigned Fund Balance

At a minimum, the goal is to maintain unreserved, unassigned fund balance in the general fund of no less than 20 to 30 percent of regular general fund annual operating revenues. The calculated unreserved, unassigned fund balance shall be exclusive of all other fund balance components not anticipated to be readily available for use in emergencies and contingencies.

Depository / Investment Policy

The City's investment policy is in conformance with all Federal, State and Local governing legislation, the Government Finance Officers Association (GFOA) best practices and other legal requirements, and applies to the investment of all funds, excluding the investment of employees' retirement funds.

A. Except for funds in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.

B. The City will participate in the South Carolina State Local Government Investment Pool (LGIP) to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions through the South Carolina Treasurer's Office as permitted by South Carolina State Statute.

C. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

D. All investments are authorized by City Council and are consistent with GFOA policies and statements.

E. Current operating funds (30-day demand deposits) will be maintained in interest bearing checking accounts.

F. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

G. Reserves and funds not required for the maintenance of a positive cash flow position within the next 30 days (time deposits held in savings accounts or as Certificates of Deposits) will be maintained in accounts bearing the highest interest rates available to the City, provided that such accounts are secured from risk as provided by law. Where practicable, such accounts will be structured to ensure availability of funds without incurring unnecessary penalties upon withdrawal.

H. Full collateralization will be required on all demand deposit accounts, including checking accounts and non- negotiable certificates of deposit.

I. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

J. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

K. The City Administrator or her/his designee is authorized with managing the investment portfolio.

L. A list will be maintained by the City's Clerk and Treasurer of all financial institutions and depositories authorized to provide investment services for the City.

M. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the City's investment policy.
- Evidence of adequate insurance coverage.

Basis of Budgeting

The budget is prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP). The City prepares its budget for Governmental funds using a current financial resources measurement focus and the modified accrual basis of accounting. Budgeting for Proprietary funds is based on the flow of economic resources measurement focus and uses the accrual basis of accounting. The basis of budgeting and the basis of accounting are the same: modified accrual basis for governmental funds and accrual basis for the proprietary funds.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The only exception to this is for property taxes in which a 30-day availability is utilized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Utility Policies

1. Penalties

- A. All utility bills are due by the 15th of every month. The Westminster Utility Department posts penalties on the 15th of every month at 5 PM.
- B. Even if the 15th falls on a holiday or the weekend, late fees will be posted at 5 PM the next business day.
- C. Late fees are calculated at \$5 or 5% of your bill, whichever is greater.
- D. Late fees may be waived once per the lifetime of the account.
- E. Under exceptional circumstances, late fees may be waived at the discretion of city hall staff upon evaluation of the utility account

2. Disconnections

- A. Utility disconnections will begin promptly at 8 AM on the 26th of each month.
- B. If the 26th falls on a holiday or the weekend, disconnections will begin at 8 AM the next business day.

- C. Utility bills need to be paid by midnight on the 25th of every month to avoid disconnection.
- D. A \$50 reconnect fee will be applied to your utility account.
- E. Per The national weather service, if the temperature drops below 32 degrees or above 100 degrees (heat index) electric will not be cut, only water.

3. Returned Checks/Drafts

- A. There is a \$30 return check/draft fee.
- B. Any utility account with a return check/draft is subject to disconnection immediately upon return of the check/draft from the bank.
- C. Once a utility account has had 2 return checks/drafts that utility account becomes cash only for the lifetime of the account.

4. Reconnections

- A. Reconnect fees may be waived once per the lifetime of the account.
- B. Under exceptional circumstances, reconnect fees may be waived at the discretion of city hall staff upon evaluation of the utility account
- C. If a customer is reconnected over the weekend or after business hours, an additional \$50 reconnect fee will be added to the account.
- D. Prompt payment is expected in the event that a customer is reconnected over the weekend or after hours. Payment can be made online, through the automated payment system, or put in the drop box before the beginning of the next business day.
 - a. If payment is not received first thing the next business day, the account will again be disconnected and an additional \$50 reconnect fee will be added to the utility account
- E. The City of Westminster has 24 hours to establish reconnection after payment is made.
- F. If a customer is on the cutoff list and the list has went out to our crews, even if payment is made before our crews make it out to cut the customer off, the list is already out and that customer will be cut.
 - a. Once the utility department is aware that payment was made, a reconnect work order will be done and the city has 24 hours to establish reconnection.

5. Holds on Utility Accounts

- A. Each utility account will be treated the same allowing one hold every 12 months.
 - Example: if the customer had a hold in October of 2021, they are not eligible for another hold until October 2022*
- B. Holds will be held up to a week after cutoffs

6. Deposits/Service fees

- A. To establish a new utility account or new service, a credit check will be ran
- B. The utility department will only run one credit check associated with the customer name being put on the account
- C. Deposits range from \$0-\$250 depending on the results of the credit check
- D. For every new utility account or new service there is a \$25 non-refundable service fee
- E. Deposits are applied back to the utility account once it has been disconnected

7. Water leak/adjustment policy

- A. For a utility account to qualify for a water/sewer adjustment, the customer has to use at least 20,000 gallons over their most recent 6 month average in a month's time.
- B. Anything over the customer's average water usage will be sold to the customer at the city's cost.

- C. Once the water leak begins, whether the customer was fully aware at the time or not, the city will adjust the HIGHEST utility bill associated with the water leak.
- D. Sewer adjustments can be done in the event that the leak did not go into the sewer. To qualify, the customer would need to present a letter on letterhead from a certified plumber stating that the leak did not go into the sewer.
If the customer is active on summer sewer during the bill effected by the leak, they do not qualify for a sewer adjustment because the sewer is already at a discounted price.
- E. Only a water **OR** sewer adjustment may be done on a utility account, not both.
- F. Any high usage bills associated with work done by the City will be evaluated on a case by case basis.

Internal Controls

1. Organizational

The City Council should regularly receive and review periodic (monthly) financial reports, and discussions regarding financial matters should be documented in the minutes.

2. Financial

- A. Comparisons of budgeted and actual revenues and expenditures are made in periodic (monthly) financial reports.
- B. Compare results with actual year-to-date results from the same period in the prior year.
- C. Checks paid should have accompanying documentation when reviewed and signed.
- D. Invoices should be approved and signed off on (or initialed) before payment.
- E. Only original invoices should be paid to avoid duplication of payment.
- F. Have fidelity bond coverage.

3. Processes and Procedures Checklist

- A. Two signatures should be required for each check.
- B. Use pre-numbered documents such as invoices and checks for easier tracking.
- C. Any and all reconciliations should be reviewed and approved by the City Administrator.
- D. Policies should be communicated throughout the staff and City Council.